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C O N F I D E N T I A L SECTION 01 OF 02 HARARE 000008

SIPDIS

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TAGS: [PGOV](#) [PHUM](#) [ECON](#) [EINV](#) [ECPS](#) [KPAO](#) [ZI](#)

SUBJECT: GOZ GOING AFTER COUNTRY'S LARGEST CELLULAR PHONE OPERATOR?

REF: HARARE 2454 AND PREVIOUS

Classified By: Political Officer Win Dayton under Section 1.5(b)(d)

11. (SBU) SUMMARY: Government maneuvers may be underway to withdraw the operating license of Econet Wireless Zimbabwe (EWZ), the nation's largest cellular phone operator, over alleged foreign exchange abuses. The exercise could represent a broadening of GOZ efforts to destroy Strive Masiyiwa, the South Africa-based Zimbabwean who is the principal owner of EWZ and the Associated Newspapers of Zimbabwe (ANZ), publisher of the recently closed The Daily News (TDN). EWZ already has a string of legal victories against the GOZ but recent GOZ willingness to shutter businesses in defiance of court orders (as evidenced in the ANZ case) may bode ill for the company's long-term survival in Zimbabwe. A shutdown of Econet would leave the country with two cell GOZ-affiliated phone service providers and disrupt a telecommunications sector and economy already under immense strain. END SUMMARY.

12. (U) According to an article in the December 24 edition of the government-controlled Herald newspaper, foreign currency paid by Econet for calls originating outside the country was not being remitted in Zimbabwe, contrary to a year-old government directive. The article reported that most incoming calls to Zimbabwe came through Econet, generating foreign exchange, while most outgoing calls went through competitor NetOne, which generated inadequate foreign exchange for the company to meet its international forex-denominated obligations. All calls were supposed to go through one gateway. The article asserted that authorities were investigating Econet's practices, as well as failure by officials of the Postal and Telecommunications Regulatory Authority (Potraz) to implement the directive effectively.

13. (U) EWZ's principal owner is South Africa-based Zimbabwean, Strive Masiyiwa, who also owns Associated Newspapers of Zimbabwe (ANZ), the publisher of closed independent daily newspaper The Daily News (TDN). Government media coverage of the Econet investigation stressed Masiyiwa's ownership of the newspaper and his alleged financing of "subversive activities", i.e., the opposition MDC. It also highlighted adverse business turns against Masiyiwa telecommunications interests in Nigeria and Kenya. Masiyiwa is CEO of Econet Wireless International, which maintains operations in several countries, including the UK.

14. (SBU) EWZ's locally based chief executive Douglas Mweni told the Embassy on January 5 that the company has not been approached by GOZ authorities in connection the allegations set out in the Herald. EWZ on January 2 issued a nine-page public notice (faxed to AF/S) recounting the company's contributions to national development and responding specifically to the Herald allegations. The notice denied company involvement in subversive activities and elaborated on its compliance with the terms of relevant laws and licenses. It claimed that the company was unaware of any government directive reducing the number of gateways to one but asserted that such a directive, if it existed, would be "illegal and unjust."

15. (U) Masiyiwa and Econet have had a long contentious history with the GOZ. Econet was founded in 1998, earning its operating license that year only after a five-year court battle against the GOZ. Masiyiwa's legal campaign began in 1993, when he successfully challenged the government's telecom monopoly as an unconstitutional infringement of free speech. The GOZ then denied his application for a license, issuing one instead to Telecel Zimbabwe, a company dominated by Mugabe supporters, including Chenjerai Hunzvi, the late war veteran leader and violent enforcer of Mugabe's land seizure campaign. After a lengthy legal fight, a court ordered the issuance of a license to EZW. The company soon became the country's leading cell phone service provider. The GOZ has accused Masiyiwa of funding anti-Mugabe activities and blamed him in part for the nation's rejection of a GOZ-supported draft constitution in a 2000 national referendum. After death threats and arrests, Masiyiwa moved

to South Africa in 2000 and reportedly has not returned to Zimbabwe since.

16. (C) COMMENT: The complete emasculation of moneyed players like Masiyiwa, a black Zimbabwean, and others, including white ex-commercial farmers, who channel financial support to the opposition has long been a priority for the ruling party. It was a key element behind the government's chaotic land grab and now fuels continuing talk of "indigenizing" other sectors of the economy. It is too early to know whether the Herald coverage signals GOZ intent to bring down Econet in spite of court judgments or is meant simply to intimidate Masiyiwa in his varied engagement with Zimbabwe. Certainly, the continued closure of TDN is intended in part to strain Masiyiwa's resources. We do not know the accuracy of the Herald's reporting of Masiyawa's alleged setbacks elsewhere.

17. (C) COMMENT (CONT'D): In some ways paralleling the ANZ case (retels), the unfolding Econet "investigation" represents a microcosm of Zimbabwean rule of law: the law not as a shield but as a sword with which to constrain or to dispatch selected enemies of the state. The government's oppressive and nonsensical regulatory overlay assures that no firm could stay in business long without operating outside the law and, indeed, all do -- especially those affiliated with the ruling party that are building empires above the law. Thus, the state has effective legal grounds to go after any business in country. Sharpening this Sword of Damocles is the ruling party's growing paranoia and financial need. Businesspeople in Zimbabwe are in an increasingly precarious plight, scrutinized by the ruling party through a "with us or agin' us" lens in an effectively extortionate atmosphere. The growing prominence of business figures in the party reflects pressure on the business community to evidence loyalties demonstratively, in word and deed. This politicization can be expected to further complicate an already painful operating environment for the beleaguered business community and to act as yet additional drag on the imploding economy.

18. (C) COMMENT (CONT'D): As with so many other recent GOZ economic measures, the GOZ's obsession with its deep forex problems in part explains why this action may be underway now. Forex difficulties in the telecom sector, however, are unlikely to be resolved until a badly underpriced tariff regime is considerably restructured, pricing many Zimbabwean consumers out of the market. In any event, by reducing competition, the elimination of Econet would have predictably deleterious results for the overall quality of telecom services in Zimbabwe, which has been falling markedly during the past year. The situation nonetheless may perversely appeal to the GOZ by leaving two parastatals -- Telecel and NetOne -- with effective monopoly control of Zimbabwe's cell phone services sector and attendant opportunities for revenue enhancement at the public's expense.

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